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FISCAL IMPACT REPORT

SPONSOR: Boykin DATE TYPED: 2/3/03 HB 84

SHORT TITLE: Increase Veteran Tax Exemption SB _____

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	\$ (0.1) See Narrative	\$ (0.1) See Narrative	Recurring	Local Government
	\$ (0.1) See Narrative	\$ (0.1) See Narrative	Recurring	School Districts

(Parenthesis () Indicate Revenue Decreases)

Relates to:

SB 188, Implement Increased Veteran Tax Exemption
 HB 71, Expand Disabled Veteran Exemption
 HB 85, Expand Disabled Vet Exemption
 HJR 2, Veteran's Property Tax Exemption, CA

SOURCES OF INFORMATION

LFC files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 84 implements increased property tax exemption for veterans required by Article 8, Section 5 of the New Mexico Constitution. Provisions increasing the exemption were passed during the last General Election in November 2002 increasing the exemption from \$2,000 of the taxable value of property to \$4,000. The exemption is phased in from 2003 to 2006 in the following increments:

- Tax Year prior to 2003– Exemption is \$2,000
- Tax Year 2003 – Exemption is \$2,500
- Tax Year 2004 – Exemption is \$3,000
- Tax Year 2005 – Exemption is \$3,500
- Tax Year 2006 – Exemption is \$4,000

HB 84 contains an emergency clause. Therefore the provisions will apply to the current property tax-year.

FISCAL IMPLICATIONS

HB 84 is its enabling legislation for the constitutional amendment passed by voters in November 2002. This amendment will minimally impact property tax revenues to local taxing authorities and school districts.

According to TRD, approximately 80,000 veterans currently qualify for the veterans exemption. They reduce the residential tax base by approximately \$160 million ($\$80,000 \times 2,000$) annually. This figure is approximately 1 percent of the current statewide \$17.1 billion total net taxable value of residential properties and .5 percent of the \$31.75 billion net taxable value of all properties. An increase of \$500 in the exemption annually will thus decrease statewide net taxable value by \$40 million, or $\$500 \times 80,000$ – roughly .126 percent of the current \$31.75 billion total net taxable value.

Since the exemption is to be increased gradually while total net taxable value grows by an average of perhaps 2 percent per year, the increase in net taxable value will, in most jurisdictions, exceed the loss in base due to expanding the current veterans exemption. As in the case of expanding eligibility for the disabled veteran exemption, the base reduction caused by increasing the \$2,000 exemption will result in slight increases in rates faced by all individuals that pay property taxes. As a result, the proposal will not impact revenues significantly.

SN/prr